

DEEP DIVE

GAIL (India)



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Fueled by gas

Our BUY recommendation for GAIL with a target price of INR 260 is based on (1) an increase in gas transmission volume to 144mmscmd by FY26E (two-year CAGR of 9%), supported by completion of major pipelines in eastern and southern India and stabilising LNG prices, (2) continued robust profitability in the gas trading segment, and (3) expectation of improvement in earnings from the petchem segment. At the current price, GAIL is trading at 11.6x Mar-26E EPS, only 1% premium to its five-year average despite the stronger volume growth outlook in its core business of gas transmission. Adjusting for the value of its investments, we estimate the GAIL stock is trading at an inexpensive 8.8X FY26E earnings. We reiterate our BUY rating on GAIL with a revised target price of INR 260/sh.

- Robust gas transmission volume growth:** The increase in economic activity led to a recovery in gas demand in July 2024, with total gas consumption growing by 10% YoY to 6,120 mmscm. This should result in higher gas transmission volumes for GAIL. We expect Gail's gas transmission volumes to improve further to 144mmscmd or at 9% CAGR over FY24-26E underpinned by (1) commissioning of new pipelines including Mumbai-Nagpur-Jharsuguda, Srikakulam-Angul and Gurdaspur-Jammu pipelines, (2) anticipated pickup in the availability of domestic gas as well as imported LNG as global LNG prices stabilise or even fall over the next two years, and (3) policies directed towards a shift to gas in several segments such as CGD and industrial sector.
- Gas marketing:** The strong gas demand growth, low Henry hub price, and reasonably strong oil price augur well for Gail's gas marketing segment. This should sustain the strong profitability of the gas trading segment. We expect Gail's gas trading volume to record a CAGR of 9% while maintaining robust trading margins over FY24-27.
- Petrochemicals profitability should improve:** A sustained softening of LNG price and improvement in capacity utilization should drive an increase in profits for GAIL's petrochem segment. We expect GAIL's petchem EBITDA to increase to INR 12.6bn in FY27E, a CAGR of 44% over FY24 – 27E.
- Earnings growth:** Given the expected structural growth in natural gas demand, GAIL's capacity expansion program and strong operational metrics, we expect the company's financials to remain strong, aiding growth. We forecast a 10% CAGR in FY24-27E EPS and a 10% CAGR growth in FY24-27E EBITDA, driven by robust performance across gas transmission, gas trading and petrochemicals. Gas transmission EBITDA should improve by 14% CAGR over FY24-27E, led by strong growth in gas transmission volumes.
- Valuation:** Our revised SOTP of INR 260/sh (from INR 248/sh) is based on 12x Mar-26E EV/EBITDA for the natural gas, LPG transmission and domestic gas marketing business (because of improving visibility on strong transmission volume growth), 4x EV/EBITDA for non-domestic gas marketing business, 6x EV/e for the petchem and LPG/LHC businesses, and INR 51 for investments. The stock is currently trading at 11.6x Mar-26E EPS and 8.9x EV/EBITDA.

BUY

CMP (as on 19 Sep 2024)	INR 211
Target Price	INR 260
NIFTY	25,416

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 248	INR 260
EPS %	FY25E	FY26E
	+5.8%	15.9%

KEY STOCK DATA

Bloomberg code	GAIL IN
No. of Shares (mn)	6,575
MCap (INR bn) / (\$ mn)	1,387/16,571
6m avg traded value (INR mn)	4,969
52 Week high / low	INR 246/116

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(2.5)	22.0	70.8
Relative (%)	(10.0)	6.4	47.7

SHAREHOLDING PATTERN (%)

	Mar-24	Jun-24
Promoters	51.90	51.90
FIs & Local MFs	27.19	25.76
FPIs	14.17	15.19
Public & Others	6.75	7.51
Pledged Shares	0.0	0.0

Source : BSE

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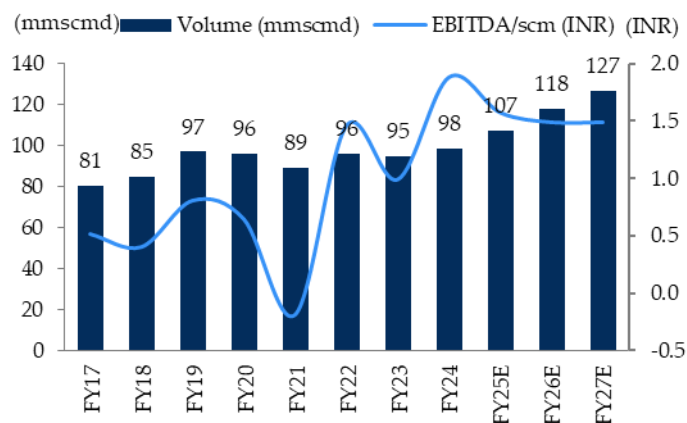
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GAIL: Deep Dive

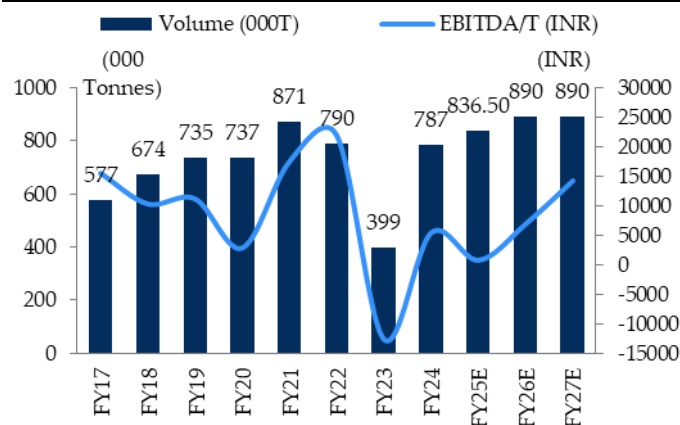
Focus charts

Exhibit 1: With a surge in transmission volume...



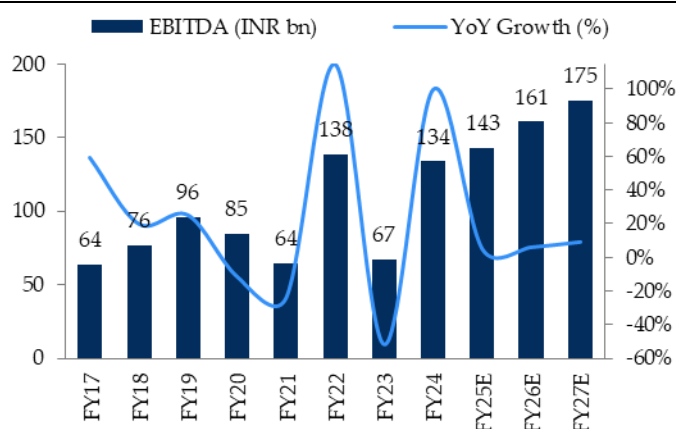
Source: PPAC, HSIE Research

Exhibit 2: ...and improving petchem EBITDA



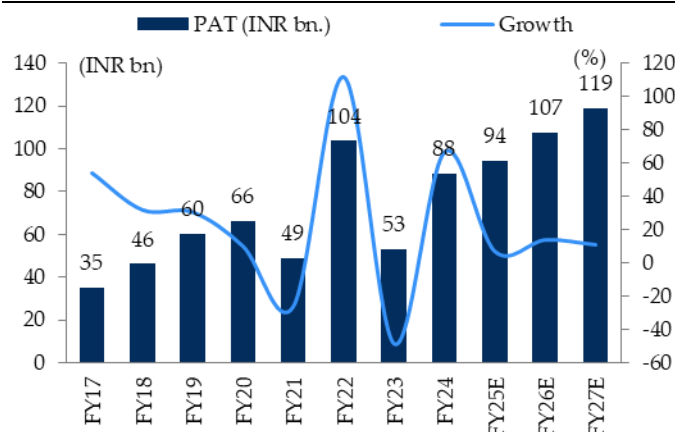
Source: PPAC, HSIE Research

Exhibit 3: We estimate EBITDA CAGR of 9%...



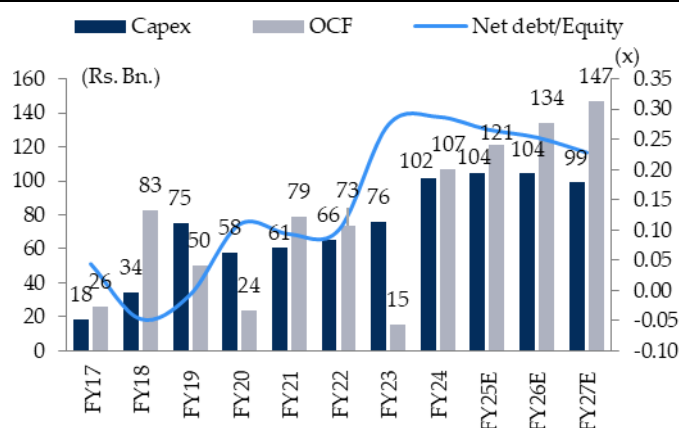
Source: Company, HSIE Research

Exhibit 4: ...and PAT CAGR of 10% over FY24-FY27E



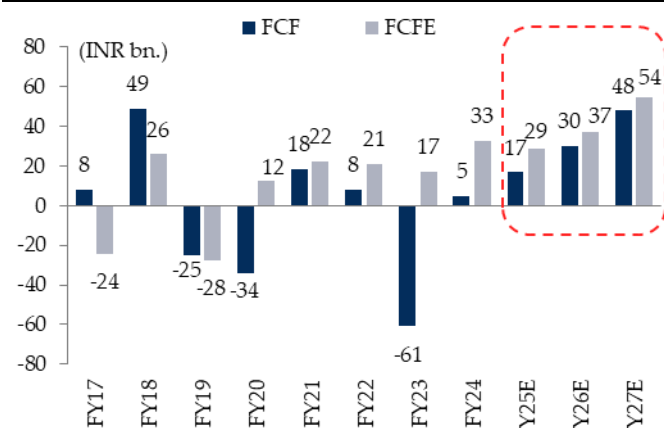
Source: Company, HSIE Research

Exhibit 5: Leading to strong OCF and...



Source: Company, HSIE Research

Exhibit 6: ...FCF generation



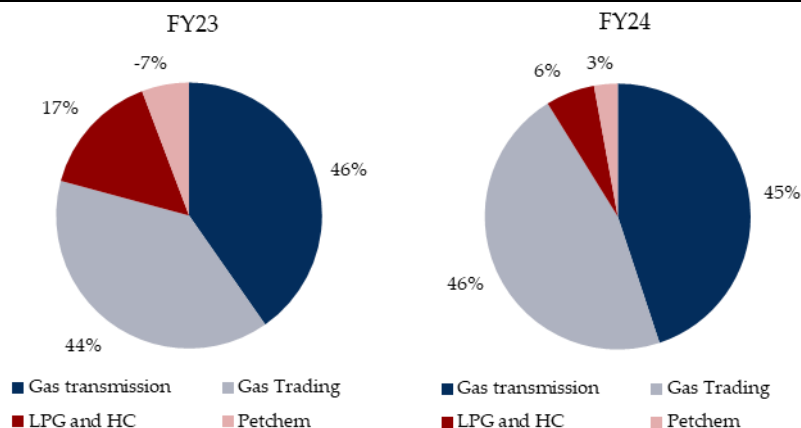
Source: Company, HSIE Research

Gas transmission

Gas transmission accounts for 45% of GAIL's EBITDA

With INR 1,256bn revenue in FY24, gas transmission and trading contributes about 91% of GAIL's EBITDA. High input costs and low product prices have meant weak LPG and petrochemicals (Polyethylene) segment performance and these segments account for only 9% of the company's EBITDA.

Exhibit 7: GAIL contribution to EBITDA break-up



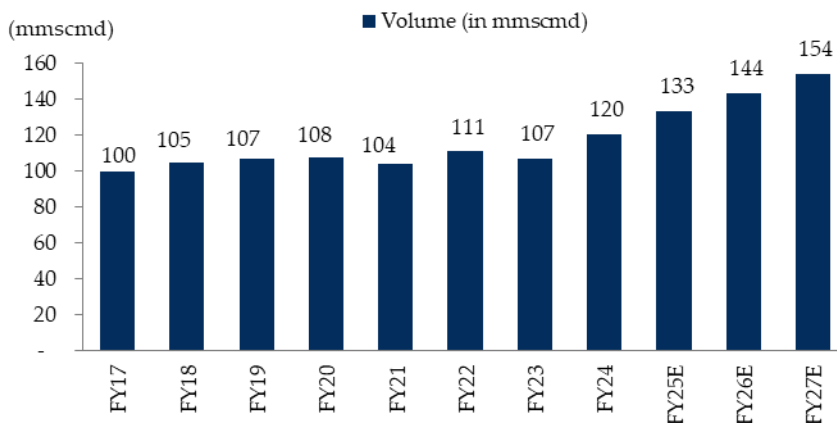
Source: Company, HSIE Research

Gas transmission volumes to surge

Gail's gas transmission volume growth has remained tepid over the last five years, registering a growth of only 2.3% CAGR over FY19-24, that too only because of a sharp YoY growth of 12% in FY24. We expect gas transmission volume to grow sharply over FY24-27E at a CAGR of 8.6% due to robust growth in LNG import volumes as well as growth in domestic gas production from ONGC's KG fields. Over the longer term, Gail should also benefit from the about 5mmscmd increase in domestic gas production from RIL's KGD6. Over the next two years, we estimate ONGC's domestic gas supply will increase by as much as ~8 mmscmd. Growth in transmission volumes will also be supported by the new pipeline infrastructure under implementation by Gail. GAIL is currently building 7,103km of cross-country pipelines with key pipelines being the Jagdishpur-Haldia-Bokaro-Dhamra pipeline and Mumbai-Nagpur-Jharsuguda pipeline.

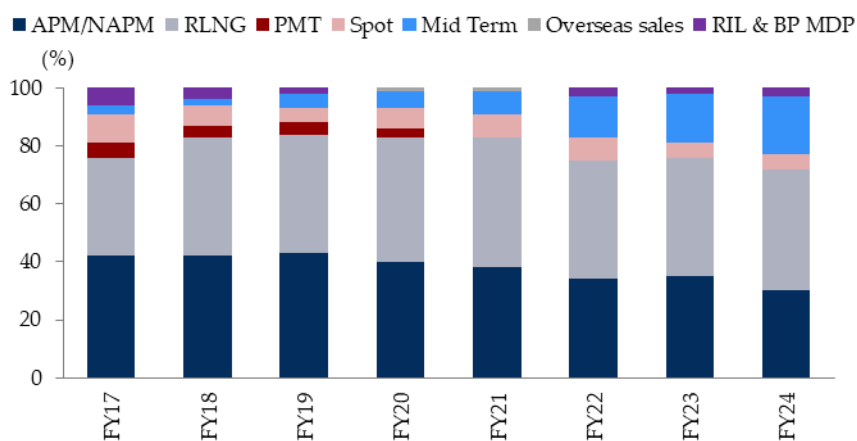
Most of this gas volume growth is expected to be driven by strong City Gas Distribution expansion, refineries along the eastern pipeline, metals, and the power generation segment. Oil refineries along the Jagdishpur-Haldia pipeline including Barauni, Paradip and Haldia as well as refineries along the Guwahati section of the pipeline will be major contributors to gas transmission volume growth. There should be new customers getting connected along these pipelines including the steel sector and aluminium producers. Metal producers are located along the Srikakulam-Angul pipeline as well as the Jagdishpur-Haldia pipeline. Management expects the refinery segment to contribute around 8 to 10 mmscmd and the CGD segment to contribute another around 5 to 6 mmscmd of demand.

Exhibit 8: GAIL – gas transmission volume



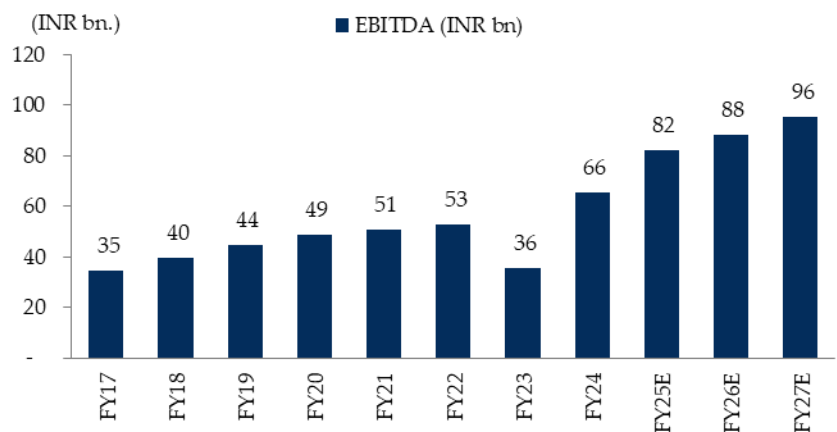
Source: Company, HSIE Research

Exhibit 9: GAIL – gas transmission mix



Source: Company, HSIE Research

Exhibit 10: GAIL – gas transmission EBITDA growth trend



Source: Company, HSIE Research

Pipeline expansion program to aid volume growth

Gail's pipeline expansion too should support gas transmission volume growth over the next three years by connecting new consumers. GAIL has proposed to commission 3,736 km of pipelines thereby increasing its pipeline length by 23% to about 20,000 km and authorised capacity by 33% to about 326 mmscmd by FY27 with a capex of INR 353.7bn.

It has proposed three new pipelines viz: Srikakulam Angul pipeline, Gurdaspur Jammu pipeline and Mumbai-Nagpur-Jharsuguda pipeline.

The 1,755 km Mumbai-Nagpur-Jharsuguda pipeline is expected to be completed during the current financial year. Regarding the Jagdishpur-Haldia-Bokara-Dhamra pipeline, 2,986 km has already been laid out of 3,289 km and the remaining part is expected to be completed by March 2025. The 690 km Srikakulam-Angul main pipeline is expected to be completed in the current financial year. The Gurdaspur-Jammu Natural Gas Pipeline is likely to be completed by July 2026.

Exhibit 11: Gail's operational pipelines

Project name	Operating length	Authorised Capacity (mmscmd)	Throughput (mmscmd)	
			FY23	FY24
Cauvery Basin Network	243	4.33	1.85	2.26
KG Basin Network	867	16	3.83	4.83
Gujarat Regional Network	590	8.31	3.1	1.38
Agartala Regional Network	65	2	1.0	1.08
Hazira-Vijaipur-Jagdishpur-Dahej-Dadri	6718	107	72.5	
Mumbai Regional Network	125	7.04	4.4	
Dahej-Uran-Panvel-Dabhol	943	19.9	16.3	107.56
Dadri-Bawana-Nangal	983	31	7.5	
Dabhol-Bangalore	1,148	16	1.86	
Chainsa-Jhajjar-Hissar	444	35	1.8	
Dedicated networks	226	2	NA	NA
Tie-in connectivity	131	10.04	NA	NA

Source: PNGRB, PPAC, HSIE Research

Exhibit 12: Gail - pipelines under construction

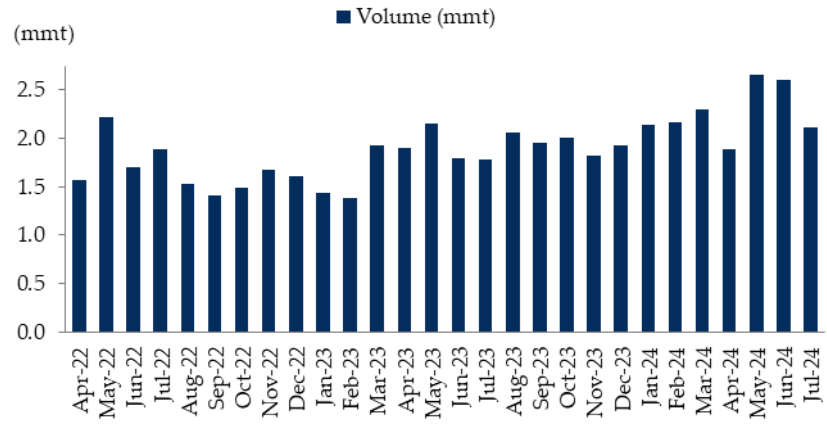
Project name	Operating length (Km)	Authorised Capacity (mmscmd)	Expected completion date	Under construction (Km)	Total investment (INR Cr.)
Srikakulam-Angul	0	6.65	Dec-24	690	2,658
Mumbai-Nagpur-Jharsuguda	0	16.5	Oct-24	1,755	7,844
Gurdaspur-Jammu	0	3.1	Jul-26	160	522
Kochi-Koottanad-Bangalore-Mangalore	644	16	Nov-24	460	5,909
Jagdishpur-Haldia-Bokaro & Dhamra-Paradip-Barauni-Guwahati	3,141	23	Mar-25	405	18,437

Source: PNGRB, PPAC, HSIE Research

LNG imports to surge on strong gas demand, pipeline expansion

India imported 24mmt (+21% YoY) of LNG in FY24 and 2.6mmt (+45% YoY) in June 2024. We anticipate continued demand growth, particularly from the industrial sector, as LNG's improving competitiveness against liquid fuels supports a sustained growth trajectory for imports through FY24–27. Incremental demand is expected to come from city gas distribution, fertilizers, refining, and the power sector.

Exhibit 13: Monthly LNG import volume



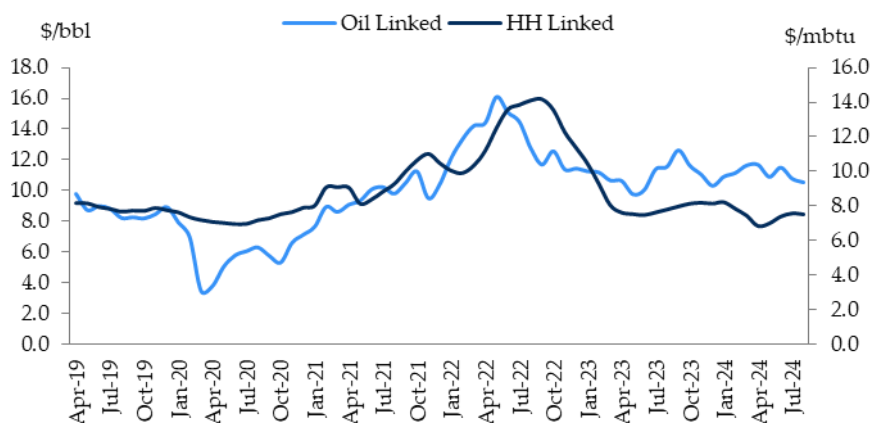
Source: PPAC, HSIE Research

Gas marketing

Marketing segment profitability to remain robust on volume growth

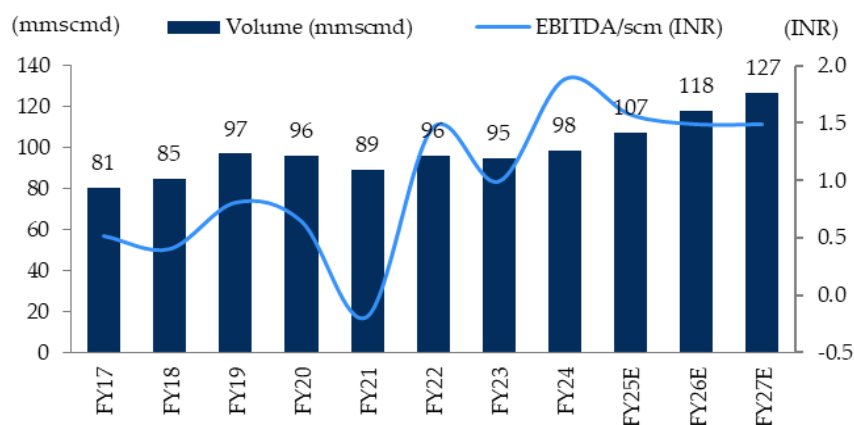
Gail marketed 98mmscmd of gas in FY24. Of this, almost 19% is imported LNG where marketing margins are not regulated. We estimate that Gail markets 37.24mmscmd of APM gas. The APM gas is tied up back-to-back with regulated margins. Gail has almost 14mmtpa of contracted LNG currently operating. Out of those, almost 4.8mmtpa of contracts are from the Middle East which is tied back-to-back and almost 3 mmtpa of contracts are short or medium-term contracts which are crude-linked – sourced and marketed. Gail has recently sourced 1.53 mmtpa that is on the crude linked index. Gail has contracted 5.8mmtpa of US LNG – 3.5mmtpa from Sabine Pass and 2.3mmtpa from Cove Point. Of these, LNG imports of about 26% (1.53 mmtpa) have been contracted forward on Brent linked formula. With Brent Crude sustaining over USD 70/bbl and average Henry Hub price around USD 2/mmmbtu, these US LNG imports should continue to add to Gail’s marketing profits. We expect marketing gas volumes for Gail to grow at 8.6% CAGR over FY24-27e sustaining robust Gas marketing EBITDA over the same period. Gail also does destination swaps, when feasible to reduce the shipping costs. We estimate the savings could be as much as over USD 1-1.5/mmmbtu, supporting Gail’s gas marketing margins.

Exhibit 14: Oil-linked and US Henry Hub-linked gas price trend



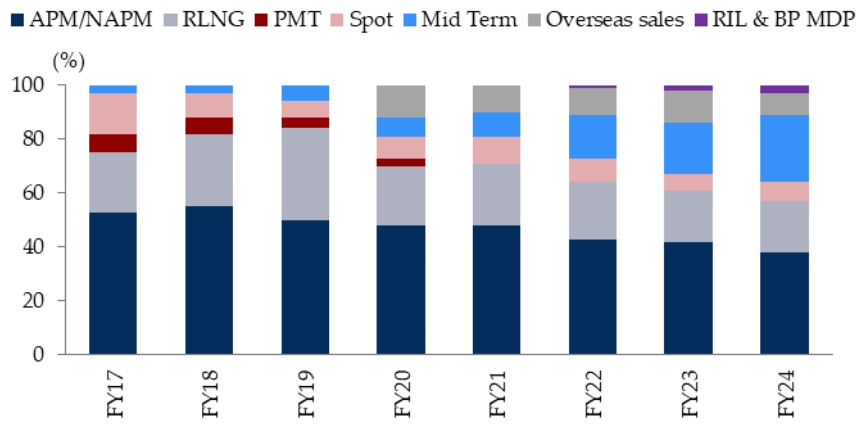
Source: Bloomberg, HSIE Research

Exhibit 15: Gas marketing volumes and EBITDA margin



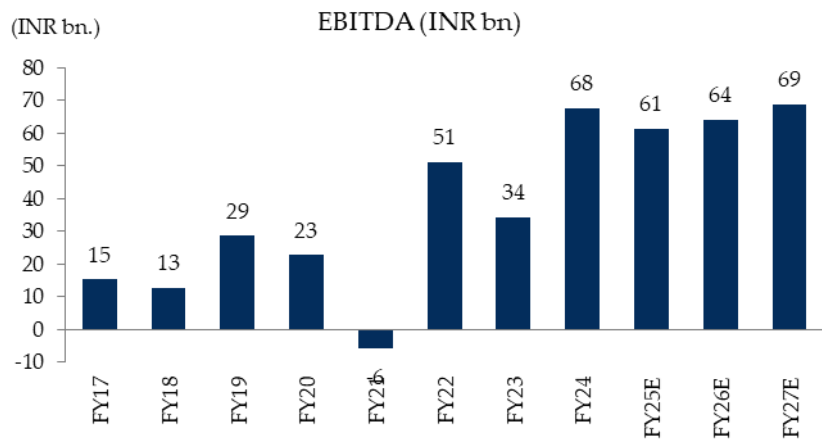
Source: Company, HSIE Research

Exhibit 16: GAIL – gas marketing mix



Source: Company, HSIE Research

Exhibit 17: GAIL – gas marketing EBITDA growth trend



Source: Company, HSIE Research

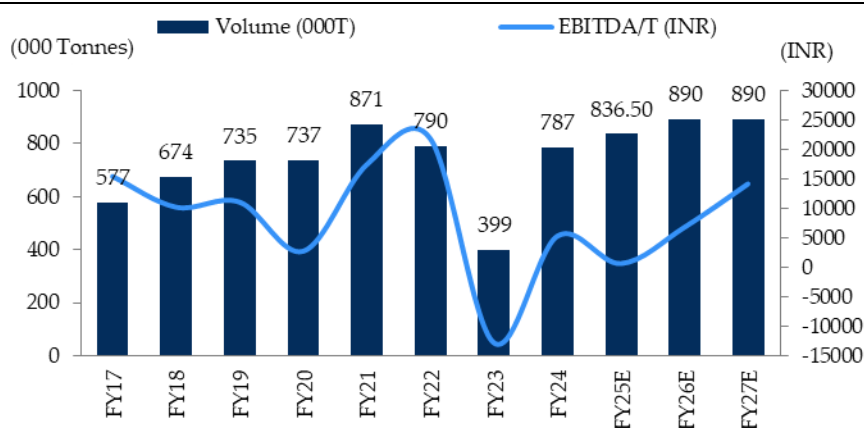
Petrochemicals

Petrochemical profitability to improve as gas cost stabilises

We expect Gail's petchem segment EBITDA to improve in the medium term due to the softening of LNG prices. We estimate Gail's petchem EBITDA/t to increase at a CAGR of 38% to INR 14,171 over FY24-27E.

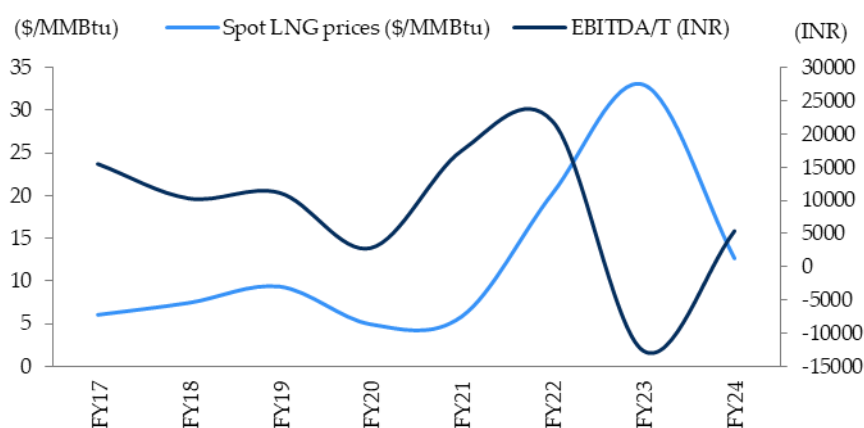
Mechanical completion of the PDHPP plant at Usar with a capacity of 500 ktpa and project cost of INR 112.56 bn is expected by April 2025 and commercial production by October 2025. The 60 ktpa polypropylene plant at Pata with a project cost of INR 13 bn is expected to be completed during the current financial year. Gail has acquired JBF Petrochemicals (now GAIL Mangalore Petrochemicals) with a capacity of 1,250 ktpa. Its project cost is INR 42 bn and it is expected to be completed by June 2025.

Exhibit 18: GAIL – Petchem volumes and EBITDA/t



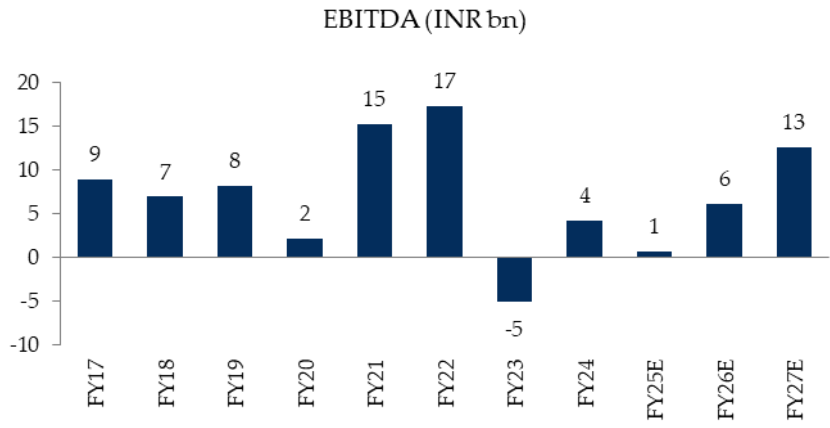
Source: Company, HSIE Research

Exhibit 19: GAIL – Petchem EBITDA/t and spot LNG prices



Source: Company, HSIE Research

Exhibit 20: GAIL – Petchem EBITDA growth trend



Source: Company, HSIE Research

City Gas Distribution

City Gas distribution to add value

GAIL has eight existing joint ventures for city gas distribution. Through its 100% subsidiary Gail Gas, it holds licenses/authorisations to operate City Gas Distribution networks in 72 geographical areas (GAs). Gail Gas currently has CGD operations in 16 GAs with a total gas sales volume of 6.46mmscmd in FY24, making it the third largest City Gas company in the country after Gujarat Gas and Indraprastha Gas. Gas sales volumes have more than doubled over FY19-23 with CNG volumes growing at 24% CAGR and PNG at 4% CAGR. PAT has improved at a CAGR of 32% over FY19-24 to INR 3.2bn. The physical volume increased to 7.11 MMSCMD in Q1 FY25, an increase of 3% from Q4FY24, which is mainly on account of the increase in CNG sales by 14% and bulk trading by 4%.

GAIL also has six CGDs along its Jagdishpur-Haldia pipeline. It has an infrastructure of 189 CNG stations and 3.4 lakh DPNG connections under those CGDs. During Q1 FY25, 700 new DPNG connections were added, and the gas volume was 0.3mmscmd. In the next two years, GAIL aims to add around 80 new CNG stations and around 1,20,000 new DPNG connections.

On FY26E PER, IGL trades at 20x and MGL at 14x. Considering that per unit EBITDA margins for these companies are higher and it has a higher share of high-margin CNG in the volume mix, we believe Gail Gas could receive about a 15% valuation discount to MGL. We estimate Gail Gas' valuation at INR 46bn, based on a PER of 12x FY26E EPS.

Exhibit 21: GAIL – List of JVs for CGD segment

JV name	Presence	Stake	JV partner	Operation commencement year
Avantika Gas Ltd	Indore & Ujjain	22.50%	HPCL	2006
Bhagyanagar Gas Ltd	Vijaywada, Hyderabad, Kakinada	22.50%	HPCL	2005
Vadodra Gas Ltd	Vadodra	50%	Vadodara Municipal Corporation	2014
Central U.P. Gas Ltd	Kanpur & Bareilly	25.00%	BPCL	2005
Green Gas Ltd.	Agra & Lucknow	22.50%	IOCL	2005
Indraprastha Gas Ltd	Delhi, Noida, Greater Noida, Ghaziabad, Gurgaon and Faridabad	22.50%	BPCL	1999
Mahanagar Gas Ltd	Mumbai, Thane, Mira Bhayandar and Navi-Mumbai	49.75%	British Gas	1995
Maharashtra Natural Gas Ltd	Pune	22.50%	BPCL	2006

Source: Company, HSIE Research

Exhibit 22: GAIL Gas physical and financial performance

Particulars	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Revenue (INR mn.)	27,980	45,782	53,296	50,979	39,735	67,798	1,03,879	1,09,440
PBT (INR mn.)	994	1,189	1,256	2,035	2,137	3,839	4,000	4,340
PAT (INR mn.)	650	760	809	1,563	1,577	2,834	2,970	3,230
CNG volume (mmscm)	49	61	86	100	99	158	203	235
PNG volume (mmscm)	NA	516	556	585	542	650	660	766
Industrial sales volume (mmscm)	1,307	1,264	1,071	1,078	1,040	1,181	1,214	1,445

Source: Company, HSIE Research

Exhibit 23: GAIL Gas v/s peers - volume (mmscmd)

Company	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
GGL	5.4	6.2	6.5	9.5	9.4	10.7	8.4	9.3	10.9	12.0	13.6
IGL	4.6	5.2	5.9	6.4	5.3	7.0	8.1	8.4	9.0	9.7	10.9
GAIL Gas	3.7	5.0	4.7	4.8	4.6	5.4	5.7	6.5	6.8	7.4	8.0
MGL	2.6	2.7	2.9	3.0	2.2	3.0	3.4	3.6	4.1	4.4	4.7
IRM	0.0	0.0	0.0	0.1	0.2	0.4	0.5	0.5	0.7	0.9	1.1

Source: Company, HSIE Research

Exhibit 24: GAIL Gas v/s peers - CNG volume (mmscmd)

Company	FY17	FY18	FY19	FY20	FY21	FY22	FY23
GGL	1.2	1.3	1.4	1.5	1.3	2.0	2.4
IGL	3.5	3.9	4.4	4.7	3.7	5.1	6.1
GAIL Gas	0.1	0.2	0.2	0.3	0.3	0.4	0.6
MGL	1.9	2.0	2.2	2.1	1.4	2.1	2.5
IRM	0.0	0.0	0.0	0.1	0.1	0.2	0.2

Source: Company, HSIE Research

Exhibit 25: GAIL Gas v/s peers - PNG volume (mmscmd)

Company	FY17	FY18	FY19	FY20	FY21	FY22	FY23
GGL	4.2	4.9	5.1	8.0	8.1	8.7	6.0
IGL	1.1	1.3	1.5	1.7	1.6	1.9	2.0
GAIL Gas	3.6	4.9	4.5	4.6	4.3	5.0	5.1
MGL	0.7	0.7	0.8	0.8	0.8	0.9	0.9
IRM	0.0	0.0	0.0	0.0	0.1	0.2	0.3

Source: Company, HSIE Research

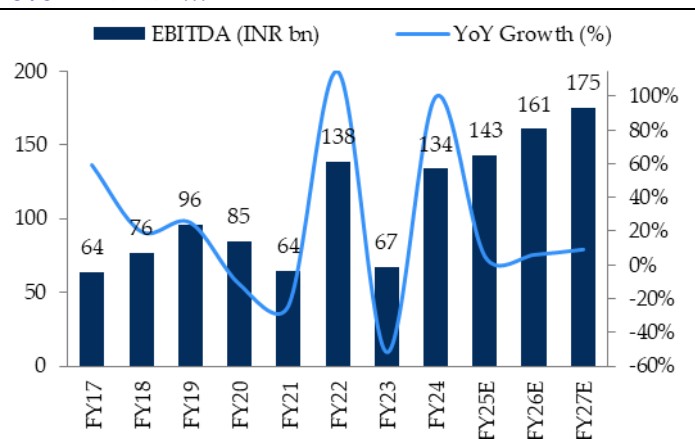
Strong financials to aid growth

We believe GAIL is in a comfortable position and remains well-funded to meet its capex plans for the next couple of years. With a surge in transmission and marketing volumes and the rise in petchem production, we expect GAIL's financials to remain strong, which should aid growth.

We estimate that GAIL's EBITDA will grow at 9% CAGR and PAT will grow at 10% CAGR during FY24-27E. We expect this growth to be driven by higher gas volumes and petchem segment EBITDA growing at 44% CAGR during the period. We estimate a CAGR of 8.6% in gas transmission volumes over FY24-FY27E.

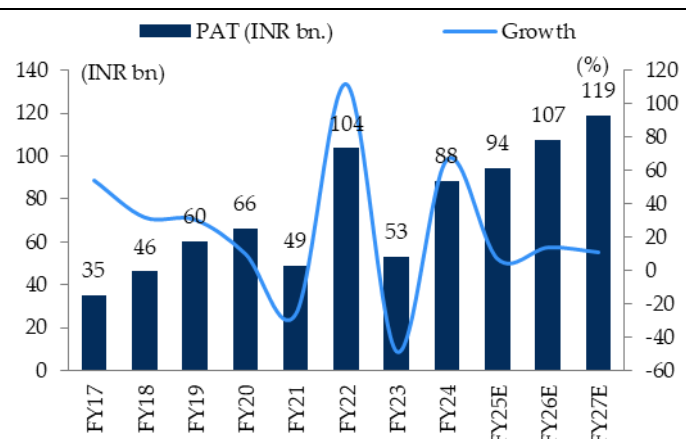
With the expected increase in gas transmission volumes, we estimate the operating cash flows for the company will rise from INR106.7 bn in FY24 to INR 146.7 bn in FY27E. GAIL has seen healthy OCF conversion at 80% of EBITDA during FY24. We believe that with pipeline network expansion in place and higher gas volumes expected in the coming years, GAIL's OCF conversion will further improve to 84% by FY27E.

Exhibit 26: We estimate EBITDA to grow at 9% CAGR over FY24-27E...



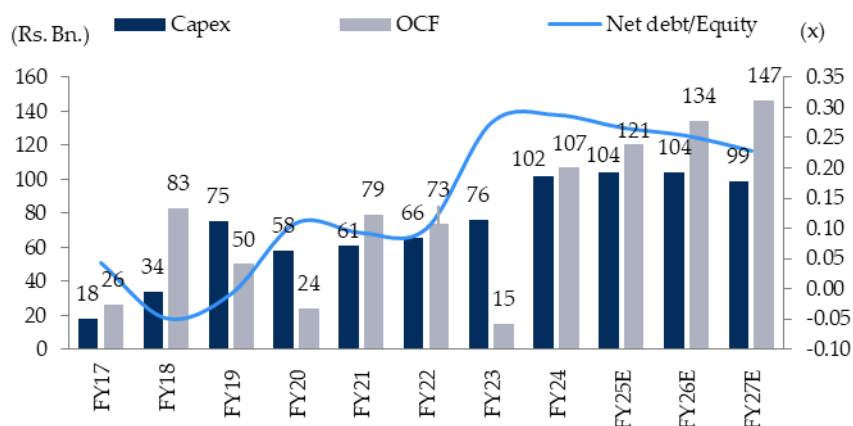
Source: Company, HSIE Research

Exhibit 27: ...while PAT to grow at 10% CAGR



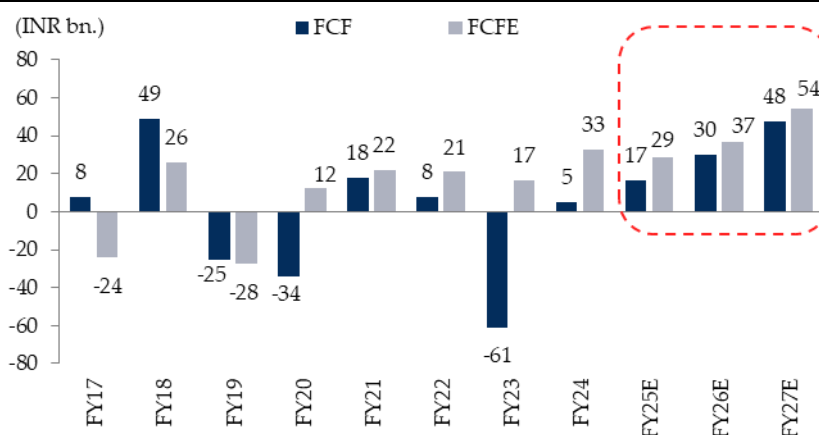
Source: Company, HSIE Research

GAIL has announced a capex outlay of INR 330 bn over FY24-FY26. A significant part of this capex (INR 83 bn or 25%) will be on expanding the gas pipeline network. GAIL has proposed to commission 3,736 km of gas pipelines thereby increasing pipeline length by 23% to about 20,000 km and capacity by 33% to 326 mmscmd by FY27. Despite a strong capex cycle, we estimate GAIL's net D/E to decrease from 0.29x in FY24 to 0.23x by FY27E, led by healthy profit growth.

Exhibit 28: OCF, capex and net debt/equity

Source: Company, HSIE Research

Despite the significant capex planned to be undertaken during FY24-FY27E, we believe GAIL should observe robust growth in FCF generation. FCF is expected to grow from INR 5bn to INR 48bn during the above-mentioned period. We anticipate improving EBITDA (9% CAGR) and healthy OCF generation (11% CAGR) to be the key drivers of this growth. In addition, GAIL's strong balance sheet (D/E < 0.3x) should aid the growth of FCFE during FY25-FY27E from INR 33bn to INR 54bn.

Exhibit 29: FCFE generation to remain healthy despite capex

Source: Company, HSIE Research

Valuation – BUY

GAIL is currently trading at ~8.9x FY26E EV/EBITDA and ~11.6x FY26E PE. The company's focus on capacity expansion, commissioning of key pipelines and high entry barriers opens avenues for stronger growth prospects. Additionally, despite aggressive capex plans over the next 2-3 years, we expect the company's net D/E to remain at comfortable levels. We reiterate a BUY rating with a revised target price of INR 260. Growth in gas transmission volumes, improving petchem EBITDA, and the rise in CGD volumes remain the key upside drivers.

Exhibit 30: SOTP valuation table

Particulars	EV (Rs bn)	Value/sh	Comments
Gas Transmission	997	152	12x FY26E EV/EBITDA
LPG Transmission	63	10	12x FY26E EV/EBITDA
Gas Marketing	314	48	Domestic business - 12x FY26E EV/EBITDA Non-domestic business - 4x FY26E EV/EBITDA
Petrochemicals	37	6	6x FY26E EV/EBITDA
LPG & Other Hydrocarbons	107	16	6x FY26E EV/EBITDA
Net Debt	-182	-28	
Standalone Value		203	
Gail Gas	46	7	12x FY26E EPS
Investments	333	51	
Value per share		260	

Change in estimates: We increase our FY25/26E EPS by +5.8/+15.9% to INR 15.9/18.2 to factor in higher transmission volumes and petchem EBITDA improvement. We also revise our TP to INR 260/sh, driven by earnings revision.

Exhibit 31: Change in estimates

Company	FY25E EPS			FY26E EPS			Target Price (INR)		
	Old	New	Ch%	Old	New	Ch%	Old	New	Ch%
GAIL	15.09	16.0	5.80%	15.7	18.2	15.90%	248	260	4.84%

Source: HSIE Research

Exhibit 32: HSIE vs. consensus

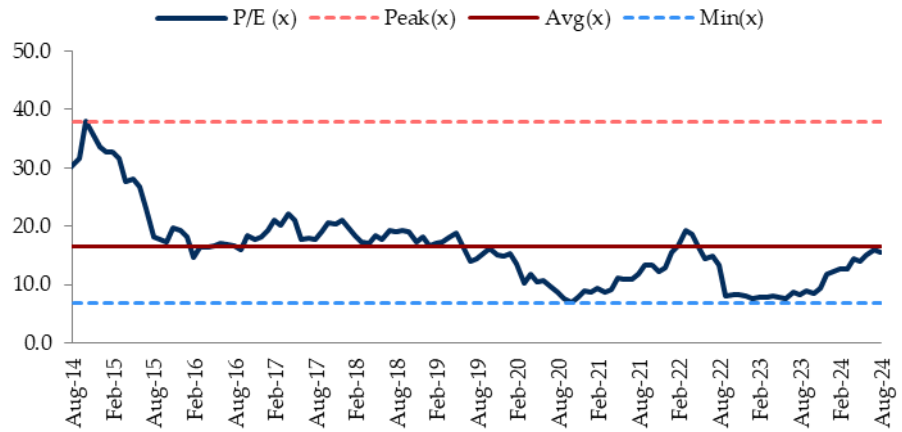
(INR/sh)	HSIE		Consensus		Variance (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
EPS	16.0	18.2	17.7	19.2	10.88%	5.49%

Source: Bloomberg, HSIE Research

Exhibit 33: Gas companies' valuation summary

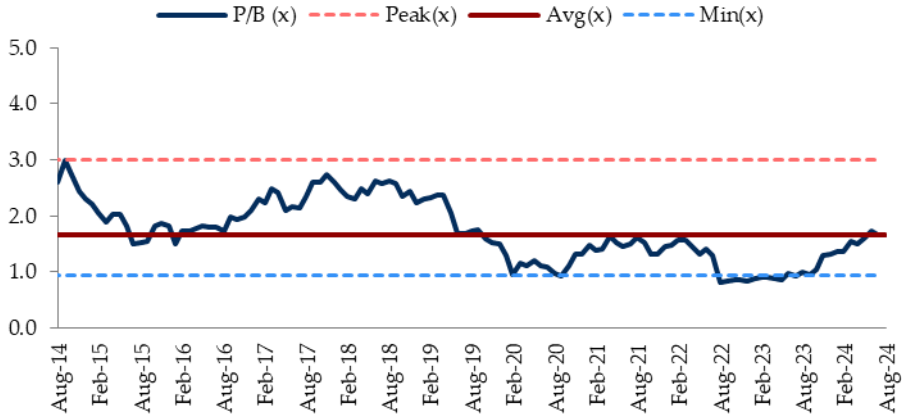
Company	MCap (INR bn)	RECO	CMP (INR)	TP (INR)	P/E (x)		P/BV (x)		ROE (%)		EV/EBITDA (x)	
					FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
GAIL	1,387	BUY	211	260	13.2	11.6	1.6	1.4	12.8	12.8	10.1	8.9
GGL	427	ADD	620	655	29.7	22.5	5.2	4.5	18.4	21.4	18.2	13.7
GSPL	227	ADD	401	340	18.2	15.1	2.1	2.3	13.5	13.7	5.5	4.4
IGL	383	BUY	535	635	19.0	17.0	3.5	3.1	19.6	19.1	14.4	12.5
MGL	188	BUY	1,883	2000	14.1	13.3	2.9	2.6	22.3	20.8	8.8	8.0
PLNG	500	REDUCE	332	320	14.6	13.1	2.8	2.6	20.0	20.4	9.0	8.5
IRM	19	BUY	466	630	14.1	9.9	1.7	1.5	12.7	15.9	7.6	5.4

Exhibit 34: GAIL P/E chart



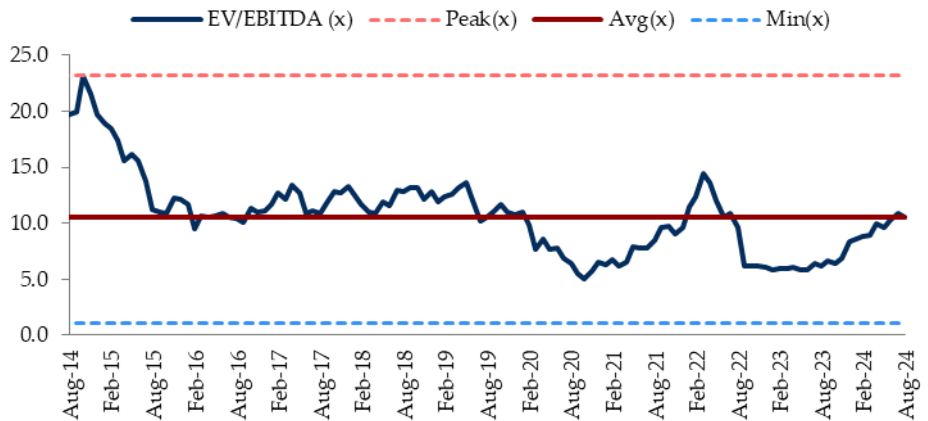
Source: NSE, Company, HSIE Research

Exhibit 35: GAIL P/BV chart



Source: NSE, Company, HSIE Research

Exhibit 36: GAIL EV/EBITDA chart



Source: NSE, Company, HSIE Research

INCOME STATEMENT

(INR bn)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenues	725	574	928	1,457	1,332	1,407	1,499	1,611
<i>Growth %</i>	(4.8)	(20.9)	61.7	57.0	(8.5)	5.6	6.6	7.5
Raw Material	569	437	701	1,288	1,080	1,151	1,217	1,308
Employee Cost	16	16	18	19	23	24	25	26
Other Expenses	50	48	57	74	87	77	83	87
EBITDA	90	72	152	75	143	156	175	191
<i>EBITDA Margin (%)</i>	12.5	12.6	16.3	5.1	10.7	11.1	11.7	11.8
<i>EBITDA Growth %</i>	(6.6)	(19.8)	109.2	(50.6)	90.9	8.9	12.2	9.0
Depreciation	21	22	24	27	37	40	43	45
EBIT	70	51	127	48	106	115	132	146
Other Income	15	11	12	13	10	12	13	15
Interest	3	2	2	4	7	9	9	10
PBT	82	60	137	57	109	118	136	151
Tax	9	16	32	17	27	30	34	38
RPAT	73	44	105	41	82	88	102	113
EO (Loss) / Profit (Net Of Tax)	-	-	-	-	-	-	-	-
APAT	73	44	105	41	82	88	102	113
Minority interest	22	17	18	15	17	17	18	18
Share from JV's/associates	(1)	(0)	(0)	0	(0)	(0)	(0)	(0)
APAT after minority interest	94	61	123	56	99	105	120	131
<i>APAT Growth (%)</i>	44.0	(34.9)	99.7	(54.2)	76.3	6.0	13.9	9.6
AEPS	14.3	9.3	18.6	8.5	15.1	16.0	18.2	19.9
<i>AEPS Growth %</i>	44.0	(34.9)	99.7	(54.2)	76.3	6.0	13.9	9.6

Source: Company, HSIE Research

BALANCE SHEET

(INR bn)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
SOURCES OF FUNDS								
Share Capital	45	44	44	66	66	66	66	66
Reserves And Surplus	448	487	597	584	704	809	929	1,060
Total Equity	493	532	641	649	770	875	994	1,125
Minority interest	1	1	2	2	2	2	2	2
Long-term Debt	39	57	65	100	151	159	167	175
Short-term Debt	27	17	27	78	67	70	73	77
Total Debt	66	74	92	178	218	229	240	252
Deferred Tax Liability	40	41	42	44	41	44	48	52
Other long-term liabilities	52	58	65	66	66	68	71	74
Long-term Provision	652	706	842	939	1,097	1,218	1,355	1,505
TOTAL SOURCES OF FUNDS								
APPLICATION OF FUNDS								
Net Block	117	134	155	166	236	287	337	387
Capital WIP	99	131	164	172	219	230	242	254
Intangible assets	16	15	13	13	14	15	17	19
LT Loans And Advances	19	19	24	23	24	24	24	25
Total Non-current Investments	633	710	803	873	1,044	1,131	1,217	1,299
Inventories	32	30	36	59	60	62	69	77
Debtors	48	35	74	107	96	99	110	124
ST investments	13	20	28	11	17	40	80	135
Cash and Cash Equivalents	7	7	1	1	1	1	1	1
Other Current Assets	17	12	24	28	29	31	32	34
Total Current Assets	117	104	163	205	203	232	292	371
Creditors	39	45	54	71	66	63	66	71
Other Current Liabilities & Provns	58	64	70	67	83	82	87	93
Total Current Liabilities	97	108	123	139	150	144	153	164
Net Current Assets	19	(4)	40	66	53	87	138	207
TOTAL APPLICATION OF FUNDS	652	706	842	939	1,097	1,218	1,355	1,505

Source: Company, HSIE Research

CASH FLOW STATEMENT

(INR bn)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Reported PBT	82	60	137	57	109	118	136	151
Non-operating & EO Items	6	6	5	2	7	5	4	3
Interest Expenses	3	2	2	4	7	9	9	10
Depreciation	21	22	24	27	37	40	43	45
Working Capital Change	(7)	31	(36)	(44)	20	(12)	(11)	(13)
Tax Paid	(34)	(15)	(30)	(15)	(30)	(27)	(31)	(34)
OPERATING CASH FLOW (a)	71	105	102	32	150	133	151	161
Capex	(95)	(68)	(79)	(90)	(161)	(114)	(115)	(112)
<i>Free Cash Flow (FCF)</i>	(24)	37	23	(58)	(12)	19	36	49
Investments	8	(32)	(34)	(8)	(47)	(11)	(12)	(12)
Non-operating Income	15	11	12	13	10	12	13	15
Others	7	1	(4)	1	(1)	(2)	(2)	(2)
INVESTING CASH FLOW (b)	(64)	(88)	(105)	(84)	(199)	(115)	(115)	(111)
Debt Issuance/(Repaid)	45	8	18	86	40	11	11	12
Interest Expenses	(3)	(2)	(2)	(4)	(7)	(9)	(9)	(10)
FCFE	18	43	39	24	21	21	38	51
Share Capital Issuance	23	(1)	-	21	-	-	-	-
Dividend	(39)	(15)	(31)	(26)	(36)	(38)	(43)	(48)
Others	(34)	(1)	26	(42)	58	40	46	51
FINANCING CASH FLOW (c)	(9)	(10)	11	35	55	4	5	5
NET CASH FLOW (a+b+c)	(2)	8	8	(17)	6	22	40	55
EO Items, Others								
Closing Cash & Equivalents	13	20	28	11	17	40	80	135

Source: Company, HSIE Research

KEY RATIOS

	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
PROFITABILITY %								
EBITDA Margin	12.5	12.6	16.3	5.1	10.7	11.1	11.7	11.8
EBIT Margin	9.6	8.8	13.7	3.3	8.0	8.2	8.8	9.0
APAT Margin	13.0	10.7	13.2	3.9	7.4	7.5	8.0	8.1
RoE	19.8	12.0	20.9	8.7	13.9	12.8	12.8	12.4
RoIC	16.7	9.6	18.8	6.4	11.7	11.6	12.5	13.0
RoCE	15.6	9.2	16.0	6.6	10.3	9.6	9.8	9.7
EFFICIENCY								
Tax Rate %	11.2	26.3	23.1	28.9	25.2	25.2	25.2	25.2
Fixed Asset Turnover (x)	1.8	1.2	1.8	2.5	2.0	1.9	1.8	1.8
Inventory (days)	16.0	19.0	14.1	14.8	16.4	16.0	16.7	17.5
Debtors (days)	24.3	22.3	29.3	26.8	26.2	25.6	26.8	28.0
Other Current Assets (days)	12.1	12.0	9.8	7.1	8.2	8.2	8.1	7.9
Payables (days)	118.3	116.4	132.6	147.1	80.8	60.4	58.4	58.7
Other Current Liab & Provns (days)	29.3	40.5	27.5	16.9	22.9	21.3	21.2	21.1
Cash Conversion Cycle (days)	(95.3)	(103.6)	(107.0)	(115.4)	(52.8)	(31.9)	(28.0)	(26.5)
Net Debt/EBITDA (x)	0.6	0.7	0.4	2.2	1.4	1.2	0.9	0.6
Net D/E	0.1	0.1	0.1	0.3	0.3	0.2	0.2	0.1
Interest Coverage	22.5	28.3	62.9	13.1	14.8	12.9	14.1	14.8
PER SHARE DATA (Rs)								
EPS	14.3	9.3	18.6	8.5	15.1	16.0	18.2	19.9
CEPS	14.3	9.3	18.6	8.5	15.1	16.0	18.2	19.9
Dividend	6.0	2.2	4.7	4.0	5.5	5.7	6.5	7.2
Book Value	74.9	80.9	97.5	98.7	117.1	133.1	151.2	171.2
VALUATION								
P/E (x)	14.7	22.6	11.3	24.7	14.0	13.2	11.6	10.6
P/Cash EPS (x)	14.8	22.7	11.4	24.8	14.2	13.4	11.8	10.8
P/BV (x)	2.8	2.6	2.2	2.1	1.8	1.6	1.4	1.2
EV/EBITDA (x)	16.0	19.9	9.6	20.8	11.1	10.1	8.9	7.9
EV/Revenue (x)	2.0	2.5	1.6	1.1	1.2	1.1	1.0	0.9
OCF/EV (%)	5.0	7.3	7.0	2.0	9.4	8.4	9.7	10.7
FCFF/EV (%)	(1.7)	2.6	1.6	(3.7)	(0.7)	1.2	2.3	3.2
FCFE/M Cap (%)	1.3	3.1	2.8	1.7	1.5	1.5	2.7	3.7
Dividend Yield (%)	2.8	1.1	2.2	1.9	2.6	2.7	3.1	3.4

Source: Company, HSIE Research

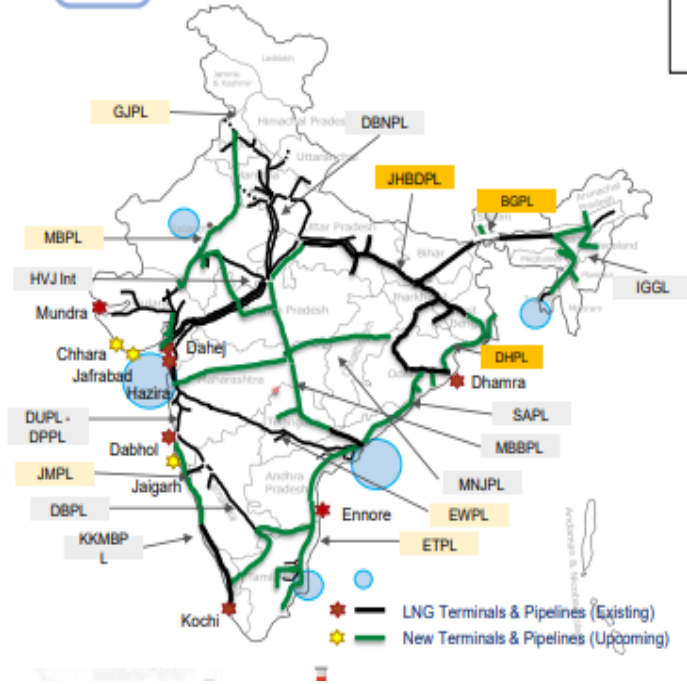
Annexure – Map showing GAIL’s existing and upcoming pipelines.



Gas infrastructure in India - “One Nation-One Grid”



Fig: PNGRB | Natural Gas Pipelines Network in India - as on 31st December, 2023

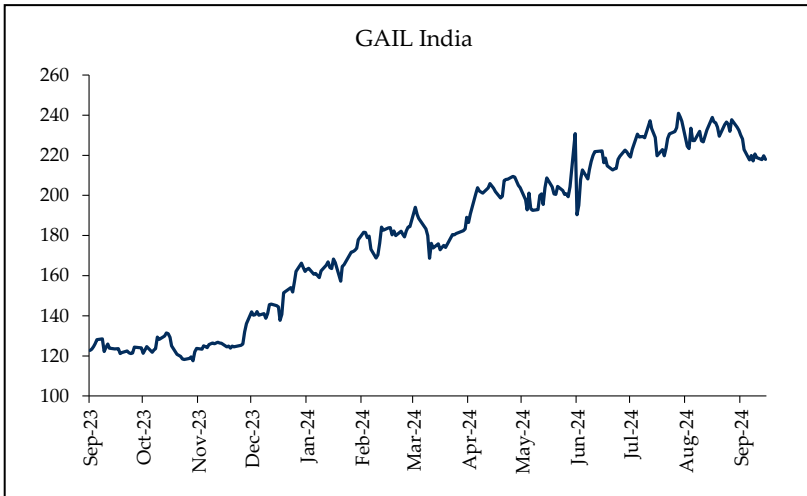


S. No.	Existing Re-gas Terminals	Re-gas Capacity (MMTPA)	Capacity Utilization (Apr 2023 - Feb 2024)
1.	Dahej (Gujarat)	17.5	95.1%
2.	Hazira (Gujarat)	5.2	31.5%
3.	Dabhol (MH)	5	41.5%
4.	Kochi (Kerala)	5	20.6%
5.	Ennore (A.P.)	5	17.8%
6.	Mundra (Gujarat)	5	12.6%
7.	Dhamra (Odisha)	5	23.1%
Total		~ 47.7	

S. No.	Upcoming Re-gas Terminals	Re-gas Capacity (MMTPA)
1.	Jafrabad	5
2.	Jaigarh	4
3.	HPCL Chhara	5

Source : Company

1 Yr Price history



Rating Criteria

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: >10% Downside return potential

Disclosure:

We, Harshad Katkar, MBA, Nilesh Ghuge, MMS, Dhawal Doshi, CA & Prasad Vadnere, MSc authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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